



October 14, 2012

Mr. Dennis McLean, Finance Officer
City of Rancho Palos Verdes
30940 Hawthorne Boulevard
Rancho Palos Verdes, CA 90275-5391

Dear Mr. McLean:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the Successor Agency to the Rancho Palos Verdes Redevelopment Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS III) to the California Department of Finance (Finance) on August 30, 2012 for the period of January through June 2013. Finance has completed its review of your ROPS III, which may have included obtaining clarification for various items.

HSC section 34171 (d) defines enforceable obligations. Based on a sample of line items reviewed and application of the law, the following do not qualify as enforceable obligations:

- Item No. 3 and 6 – City loans totaling \$20.6 million. For Item No. 3, in 2003 the City entered into a consolidated loan agreement with the Agency to provide advance funds and a method of repayment by the Agency. For Item No. 6, a City memorandum dated February 16, 2010, recommends the City council to authorize the transfer of funds from the City's In-Lieu Housing Fund to the Agency. Per Resolution no. 2010-10, the City council authorized the transfer on February 16, 2010. The Agency was created in 1984, and while there are exceptions to recognizing loans between the City and the Agency as enforceable obligations, no loan agreements or repayment schedules were provided. Therefore, these loans are not enforceable obligations at this time. HSC section 34171 (d) (2) states that agreements, contracts, or arrangements between the city that created the RDA and the RDA are not enforceable unless the loan agreements were entered into within the first two years of the date of the creation of the RDA or for issuance of indebtedness to third-party investors or bondholders. Upon receiving a finding of Completion from Finance, HSC section 34191.4 (b) may cause these items to be enforceable in future ROPS periods.
- Item No. 7 – Although enforceable, this type of service is considered general administrative expense and has been reclassified.

Except for items denied in whole or in part as enforceable obligations as noted above, Finance is approving the remaining items listed in your ROPS III. If you disagree with the determination with respect to any items on your ROPS III, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$242,175 as summarized below:

Approved RPTTF Distribution Amount	
For the period of January through June 2013	
Total RPTTF funding requested for obligations	\$ 242,175
Less: Six-month total for item(s) denied or reclassified as administrative cost	
Item 3*	0
Item 6*	0
Item 7**	100,000
Total approved RPTTF for enforceable obligations	\$ 142,175
Plus: Allowable RPTTF distribution for administrative cost for ROPS III	100,000
Total RPTTF approved:	\$ 242,175

*No payments requested for the reporting period
**Reclassified as administrative cost

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS III form the estimated obligations and actual payments associated with the January through June 2012 period. The amount of RPTTF approved in the above table will be adjusted by the county auditor-controller to account for differences between actual payments and past estimated obligations. Additionally, these estimates and accounts are subject to audit by the county auditor-controller and the State Controller

Please refer to the ROPS III schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/>.

All items listed on a future ROPS are subject to a subsequent review. An item included on a future ROPS may be denied even if it was not questioned from the preceding ROPS.

The amount available from the RPTTF is the same as the property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

Please direct inquiries to Kylie Le, Supervisor or Michael Barr, Lead Analyst at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Kathryn Downs, Deputy Director of Finance and IT, City of Rancho Palos Verde
Ms. Kristina Burns, Program Specialist III, Los Angeles County